

CEDAR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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CEDAR COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Jon Bell	Board of Supervisors	Jan. 2005
Billy Campion	Board of Supervisors	Jan. 2005
Dennis Boedeker	Board of Supervisors	Jan. 2005
Dennis L. Weih	Board of Supervisors	Jan. 2007
LeRoy Moeller	Board of Supervisors	Jan. 2007
Betty Ellerhoff	County Auditor	Jan. 2005
Gary R. Jedlicka	County Treasurer	Jan. 2007
Charline Thumm	County Recorder	Jan. 2007
Dan Hannes	County Sheriff	Jan. 2005
Lee Beine	County Attorney	Jan. 2007
Debra Miller	County Assessor	Jan. 2010
(After January 2005)		
Jon Bell	Board of Supervisors	Jan. 2009
Billy Campion	Board of Supervisors	Jan. 2009
Dennis Boedeker	Board of Supervisors	Jan. 2009
Dennis L. Weih	Board of Supervisors	Jan. 2007
LeRoy Moeller	Board of Supervisors	Jan. 2007
Betty Ellerhoff	County Auditor	Jan. 2009
Gary R. Jedlicka	County Treasurer	Jan. 2007
Charline Thumm	County Recorder	Jan. 2007
Dan Hannes	County Sheriff	Jan. 2009
Lee Beine	County Attorney	Jan. 2007
Debra Miller	County Assessor	(Resigned March 2005)
Dan Lett	County Assessor	(Appointed June 2005) Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Cedar County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Cedar County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County at June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2006 on our consideration of Cedar County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 52 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cedar County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 9, 2006

**CEDAR COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2005**

Management of Cedar County provides this Management's Discussion and Analysis of Cedar County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

County governmental funds revenue increased by only .08% or \$11,189 from FY2004 to FY2005. Net Property and other County taxes decreased by \$138,429 as a result of a reduced tax levy due to final payment on the Capital Loan Notes, Series 1999 in the previous year. Intergovernmental revenue, which includes grants and contributions, increased by \$132,240 as a result of an increase in the MH-DD fund allocation and allowable growth grants. The County program expenses were 3.3% higher, or \$449,675, in FY2005 than FY2004. Roads and transportation expense increased by \$139,326.

USING THE ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Cedar County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cedar County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cedar County acts solely as an agent or custodian for the benefit of those outside the government. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains

and supports the financial statements with a comparison of the County's budget for the year.

Other supplementary information provides detailed information about the nonmajor governmental funds and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting, used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities, and capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs.

The Governmental funds' required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds account for the County's employee group health insurance and cafeteria plan, which are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The Proprietary funds' required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds, among which are included Emergency Management Services, the County Assessor, and the E-911 Service Board.

The Fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in Net Assets of Governmental Activities

	Governmental Activities		
	FY2005	FY2004	% Difference
Revenues:			
Program revenue			
Charges for services	1,746,126	1,736,466	.56
Operating grants	4,740,589	4,999,636	-5.18
Capital grants	2,655,389	1,383,359	91.95
General revenue:			
Property and other taxes	6,879,219	7,113,425	-3.29
Penalty/interest on property taxes	52,344	42,988	21.76
State tax credits	321,942	315,851	1.93
Unrestricted grants	17,164	127,766	-86.57
Unrestricted investment earnings	148,338	87,138	70.23
Miscellaneous	28,718	76,357	-62.39
Total revenue	<u>16,589,829</u>	<u>15,882,986</u>	4.45
Program expenses:			
Public safety and legal services	2,597,083	2,116,653	22.70
Physical health and social services	1,059,744	1,078,306	-1.72
Mental health	2,410,394	2,303,103	4.66
County environment and education	871,514	823,900	5.78
Roads and transportation	5,182,062	5,200,505	-0.35
Government services to residents	427,995	405,075	5.66
Administration	1,305,426	1,290,596	1.15
Interest on long-term debt	99,428	117,915	-15.68
Capital projects	0	185,551	-100.00
Total expenses	<u>13,953,646</u>	<u>13,521,604</u>	3.20
Increase in net assets	2,636,183	2,361,382	11.64
Net assets at beginning of year	<u>25,086,950</u>	<u>22,725,568</u>	10.39
Net assets at end of year	<u>27,723,133</u>	<u>25,086,950</u>	10.51

As noted earlier, net assets may serve over time as a useful indicator of financial position.

Net Assets of Governmental Activities

	<u>2005</u>	<u>2004</u>	<u>%Difference</u>
Current and other assets	13,719,852	13,109,297	4.66
Capital assets	<u>23,361,036</u>	<u>21,508,680</u>	8.61
Total assets	<u>37,080,888</u>	<u>34,617,977</u>	7.11
Long-term liabilities	2,833,931	3,269,973	-13.33
Other liabilities	<u>6,523,824</u>	<u>6,261,054</u>	4.20
Total liabilities	<u>9,357,755</u>	<u>9,531,027</u>	-1.82
Net assets			
Invested in capital assets, net of related debt	21,056,036	18,783,680	12.10
Restricted	5,280,894	4,568,216	15.60
Unrestricted	<u>1,386,203</u>	<u>1,735,054</u>	-20.11
Total net assets	<u>27,723,133</u>	<u>25,086,950</u>	10.51

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of approximately \$7 million, as compared to last year's balance of \$6.7 million. The increase in fund balance is primarily attributable to the receipt of local option tax revenue and boarding out of county prisoners. The County funds received \$11,189 more revenue than was received in operating revenues for the prior year. The following are reasons for the changes in fund balance.

- General Fund revenues increased \$37,077, when compared to the prior year. Expenditures increased \$213,510 primarily due to higher costs in the Public Safety and Legal Services area. The ending fund balance showed a decrease from the prior year of \$319,305 to \$1,675,621.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures increased by 4.2%, or \$97,417. The Mental Health Fund balance at year end increased \$49,211.

- Rural Services Basic Fund revenues decreased by \$24,326 for FY05. Expenditures increased \$253. The primary function for the fund is for transfers to the Secondary Road Fund. Transfers made to the Secondary Roads Fund totaled \$1,503,815 for fiscal year 2005, down \$42,467 from the prior year. County contributions to libraries were \$47,000 for the fiscal year, as well as the prior year.
- Secondary Roads Fund expenditures increased by \$312,360 over the prior year. Revenue increased by \$34,993. The Secondary Roads Fund ending balance for the year was decreased by \$25,415.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following the required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget twice. The amendments were made in October 2004 and May 2005, and resulted in a \$355,611 increase in revenues from the original certified budget. The increase is primarily attributable to charges for services-out of county prisoner room & board and closure of the Solid Waste Transfer Station private bank account and the funds being deposited with the County. The amendments resulted in a \$283,090 increase in expenditures from the original certified budget. The increase is primarily attributable to costs associated with the General Election, medical examiner services and the capital project expansion at the Law Enforcement Center. The County did not exceed any of the ten functions for the year ended June 30, 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, Cedar County had approximately \$23 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of nearly \$18 million of accumulated depreciation.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Obligations

At year-end, the County had \$2,305,000 in bonds and notes payable compared to \$2,725,000 last year. The rate of retirement of the debt for the construction of the Cedar County Law Center is projected to be rapid, with 100% of the principal to be retired by FY2008.

More detail is presented in Note 7 to the financial statements.

The County's general obligation bond rating of A2, as set in FY02, reflects the County's modest tax base, a satisfactory financial position defined by strong reserves and a low debt burden. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below the limit.

Other obligations include accrued vacation pay and sick leave and landfill post closure monitoring costs. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS, AND NEXT YEAR'S BUDGETS, AND RATES

Cedar County's elected and appointed officials and citizens considered many factors when setting the 2006 fiscal year budget, tax rates, and the fees that will be charged for the various County services. Factors include the economy; local option tax revenue and other counties need for prisoner room and board, as well as state funding expectations.

These indicators were taken into account when adopting the General Fund budget for FY2006.

The County has added no major new programs or initiatives to the FY2006 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Cedar County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Cedar County, 400 Cedar Street, Tipton, IA 52772.

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Basic Financial Statements

CEDAR COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,185,472
Receivables:	
Property tax:	
Delinquent	39,480
Succeeding year	5,846,000
Interest and penalty on property tax	76,759
Accounts	53,323
Accrued interest	27,749
Due from other governments	893,814
Inventories	510,117
Prepaid expenses	87,138
Capital assets, net of accumulated depreciation (note 5)	<u>23,361,036</u>
Total assets	<u>37,080,888</u>
Liabilities	
Accounts payable	188,208
Salaries and benefits payable	192,602
Due to other governments (note 6)	180,996
Accrued interest payable	7,243
Reserve for claims incurred but not reported	8,153
Deferred revenue:	
Succeeding year property tax	5,846,000
Other	100,622
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation bonds	430,000
Estimated liability for landfill postclosure monitoring	14,000
Compensated absences	316,284
Portion due or payable after one year:	
General obligation bonds	1,875,000
Estimated liability for landfill postclosure monitoring	182,000
Compensated absences	<u>16,647</u>
Total liabilities	<u>9,357,755</u>

CEDAR COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 21,056,036
Restricted for:	
Supplemental levy purposes	178,370
Mental health purposes	552,295
Rural services	19,674
Secondary roads	2,330,533
Local option sales and services tax	2,142,545
Other special revenue purposes	3,028
Resource enhancement and protection	54,449
Unrestricted	<u>1,386,203</u>
Total net assets	<u>\$ 27,723,133</u>

See notes to financial statements.

CEDAR COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 2,597,083	\$ 553,915	\$ 39,094	\$ -	\$ (2,004,074)
Physical health and social services	1,059,744	127,510	499,289	-	(432,945)
Mental health	2,410,394	143,040	1,338,379	-	(928,975)
County environment and education	871,514	446,678	12,804	-	(412,032)
Roads and transportation	5,182,062	135,845	2,848,817	2,598,389	400,989
Government services to residents	427,995	330,095	2,206	-	(95,694)
Administration	1,305,426	9,043	-	57,000	(1,239,383)
Interest on long-term debt	99,428	-	-	-	(99,428)
Total	\$ 13,953,646	\$ 1,746,126	\$ 4,740,589	\$ 2,655,389	(4,811,542)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,684,136
Penalty and interest on property tax					52,344
State tax credits					321,942
Local option sales and services tax					1,195,083
Grants and contributions not restricted to a specific purpose					17,164
Unrestricted investment earnings					148,338
Miscellaneous					28,718
Total general revenues					7,447,725
Change in net assets					2,636,183
Net assets beginning of year					25,086,950
Net assets end of year					\$ 27,723,133

See notes to financial statements.

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CEDAR COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,657,578	\$ 798,193	\$ 8,350	\$ 1,396,195
Receivables:				
Property tax:				
Delinquent	21,843	6,173	11,464	-
Succeeding year	3,261,000	922,000	1,613,000	-
Interest and penalty on property tax	76,759	-	-	-
Accounts	43,576	9,282	-	-
Accrued interest	25,197	-	-	-
Due from other funds (note 3)	-	-	-	13,000
Due from other governments	112,098	20,753	-	622,375
Inventories	-	-	-	510,117
Total assets	\$ <u>5,198,051</u>	\$ <u>1,756,401</u>	\$ <u>1,632,814</u>	\$ <u>2,541,687</u>

<u>Local Option Sales and Services Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,001,722	\$ 282,763	\$ 6,144,801
-	-	39,480
-	50,000	5,846,000
-	-	76,759
-	465	53,323
2,235	317	27,749
-	-	13,000
138,588	-	893,814
-	-	510,117
<u>\$ 2,142,545</u>	<u>\$ 333,545</u>	<u>\$ 13,605,043</u>

CEDAR COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 37,570	\$ 79,323	\$ 140	\$ 19,240
Salaries and benefits payable	108,605	16,827	-	63,496
Due to other funds (note 6)	-	-	-	-
Due to other governments	18,294	161,989	-	713
Deferred revenue:				
Succeeding year property tax	3,261,000	922,000	1,613,000	-
Other	96,961	5,948	11,270	-
Total liabilities	<u>3,522,430</u>	<u>1,186,087</u>	<u>1,624,410</u>	<u>83,449</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	510,117
Conservation trust	4,047	-	-	-
Supplemental levy purposes	193,129	-	-	-
Debt service	-	-	-	-
Resource enhancement and protection	54,449	-	-	-
Public health/nursing trust	4,681	-	-	-
Unreserved, reported in:				
General fund	1,419,315	-	-	-
Special revenue funds	-	570,314	8,404	1,948,121
Total fund balances	<u>1,675,621</u>	<u>570,314</u>	<u>8,404</u>	<u>2,458,238</u>
Total liabilities and fund balances	<u>\$ 5,198,051</u>	<u>\$ 1,756,401</u>	<u>\$ 1,632,814</u>	<u>\$ 2,541,687</u>

See notes to financial statements.

<u>Local Option</u> <u>Sales and</u> <u>Services Tax</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ 48,835	\$ 185,108
-	3,674	192,602
-	13,000	13,000
-	-	180,996
-	50,000	5,846,000
-	-	114,179
-	115,509	6,531,885
-	-	510,117
-	-	4,047
-	-	193,129
-	3,269	3,269
-	-	54,449
-	-	4,681
-	-	1,419,315
2,142,545	214,767	4,884,151
2,142,545	218,036	7,073,158
<u>\$ 2,142,545</u>	<u>\$ 333,545</u>	<u>\$ 13,605,043</u>

CEDAR COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 7,073,158
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$41,322,086 and the accumulated depreciation is \$17,961,050.	23,361,036
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	114,179
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	15,934
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,243)
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Long-term liabilities, including bonds payable, landfill postclosure monitoring costs, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,833,931)</u>
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Net assets of governmental activities	<u><u>\$ 27,723,133</u></u>
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See notes to financial statements.

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CEDAR COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 3,216,326	\$ 919,637	\$ 1,525,131	\$ -
Interest and penalty on property tax	44,810	-	-	-
Intergovernmental	1,226,230	1,390,331	88,300	3,356,801
Licenses and permits	30,788	-	-	9,627
Charges for service	512,131	106,463	-	167
Use of money and property	123,850	35,450	-	-
Miscellaneous	28,851	1,492	-	35,810
Total revenues	5,182,986	2,453,373	1,613,431	3,402,405
Expenditures:				
Operating:				
Public safety and legal services	2,325,998	-	-	-
Physical health and social services	1,054,518	-	-	-
Mental health	-	2,404,162	-	-
County environment and education	299,399	-	54,470	-
Roads and transportation	-	-	-	4,250,121
Government services to residents	427,995	-	-	-
Administration	1,205,206	-	-	-
Debt service	-	-	-	-
Capital projects	57,000	-	-	807,592
Total expenditures	5,370,116	2,404,162	54,470	5,057,713
Excess (deficiency) of revenues over (under) expenditures	(187,130)	49,211	1,558,961	(1,655,308)
Other financing sources (uses):				
Sale of capital assets	211	-	-	-
Interfund transfers in (note 4)	-	-	-	1,629,893
Interfund transfers out (note 4)	(132,386)	-	(1,553,815)	-
Total other financing sources (uses)	(132,175)	-	(1,553,815)	1,629,893

<u>Local Option Sales and Services Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 1,195,083	\$ 17,608	\$ 6,873,785
-	-	44,810
-	120,227	6,181,889
-	-	40,415
-	338,286	957,047
28,980	3,483	191,763
-	38,322	104,475
<u>1,224,063</u>	<u>517,926</u>	<u>14,394,184</u>
-	-	2,325,998
-	-	1,054,518
-	-	2,404,162
-	470,808	824,677
-	-	4,250,121
-	-	427,995
-	71,238	1,276,444
-	520,565	520,565
-	107,307	971,899
<u>-</u>	<u>1,169,918</u>	<u>14,056,379</u>
<u>1,224,063</u>	<u>(651,992)</u>	<u>337,805</u>
-	1,600	1,811
-	576,873	2,206,766
<u>(520,565)</u>	<u>-</u>	<u>(2,206,766)</u>
<u>(520,565)</u>	<u>578,473</u>	<u>1,811</u>

CEDAR COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ (319,305)	\$ 49,211	\$ 5,146	\$ (25,415)
Fund balances beginning of year	<u>1,994,926</u>	<u>521,103</u>	<u>3,258</u>	<u>2,483,653</u>
Fund balances end of year	<u>\$ 1,675,621</u>	<u>\$ 570,314</u>	<u>\$ 8,404</u>	<u>\$ 2,458,238</u>

See notes to financial statements.

<u>Local Option Sales and Services Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 703,498	\$ (73,519)	\$ 339,616
1,439,047	291,555	6,733,542
<u>\$ 2,142,545</u>	<u>\$ 218,036</u>	<u>\$ 7,073,158</u>

CEDAR COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 339,616

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 1,122,088	
Capital assets contributed by the Iowa Department of Transportation	2,180,866		
Depreciation expense	<u>(1,450,598)</u>		1,852,356

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

	Property tax	5,434	
Penalty and interest on property tax	<u>7,534</u>		12,968

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net
assets. 434,000

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

	Compensated absences	2,042	
Interest on long-term debt	<u>1,137</u>		3,179

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities. (5,936)

Change in net assets of governmental activities \$ 2,636,183

See notes to financial statements.

CEDAR COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	<u>Internal Service - Employee Group Dental</u>
Assets	
Cash and cash equivalents	\$ 40,671
Prepaid expense	<u>87,138</u>
Total assets	<u>127,809</u>
Liabilities	
Accounts payable	3,100
Reserve for claims incurred but not reported	8,153
Deferred revenue:	
Other	<u>100,622</u>
Total liabilities	<u>111,875</u>
Net Assets	
Unrestricted	\$ <u><u>15,934</u></u>

See notes to financial statements.

CEDAR COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>Internal Service - Employee Group Dental</u>
Operating revenues:	
Charges for services	\$ 66,129
Miscellaneous	<u>28,740</u>
Total operating revenues	<u>94,869</u>
Operating expenses:	
Dental claims	52,496
Insurance premiums	32,194
Administrative fees	<u>16,115</u>
Total operating expenses	<u>100,805</u>
Operating loss	(5,936)
Net assets beginning of year	<u>21,870</u>
Net assets end of year	<u>\$ 15,934</u>

See notes to financial statements.

CEDAR COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>Internal Service - Employee Group Dental</u>
Cash flows from operating activities:	
Cash received from charges	\$ 166,751
Cash received from miscellaneous operating activities	28,740
Cash payments to suppliers for services	<u>(189,799)</u>
Net cash provided by operating activities	5,692
Cash and cash equivalents at beginning of year	<u>34,979</u>
Cash and cash equivalents at end of year	\$ <u><u>40,671</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (5,936)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) in prepaid expense	(87,138)
(Decrease) in accounts payable	(1,829)
(Decrease) in reserve for claims incurred but not reported	(27)
Increase in deferred revenues	<u>100,622</u>
Net cash provided by operating activities	\$ <u><u>5,692</u></u>

See notes to financial statements.

CEDAR COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

Assets

Cash and pooled investments:

County Treasurer	\$ 926,957
Other County officials	80,470

Receivables:

Property tax:

Delinquent	92,757
Succeeding year	14,594,000

Accounts	28,838
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Accrued interest	<u>33</u>
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Total assets	<u><u>\$ 15,723,055</u></u>
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Liabilities

Accounts payable	\$ 29,463
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Salaries and benefits payable	6,778
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Due to other governments (note 6)	15,623,489
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Trusts payable	57,603
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Compensated absences	<u>5,722</u>
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Total liabilities	<u><u>\$ 15,723,055</u></u>
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See notes to financial statements.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies

Cedar County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Cedar County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Cedar County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Cedar County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Cedar County Auditor's office.

The Cedar County Solid Waste Commission has been established pursuant to Chapter 28E of the Code of Iowa for the disposal of solid waste and the acquisition, operation and use of public disposal areas. Although the Commission is legally separate from the County, the Commission provides services almost entirely to the County and it would be considered misleading to exclude the Commission due to its relationship with the County. The Solid Waste Commission's Solid Waste Disposal Fund is reported as a Special Revenue Fund. The Solid Waste Commission's Transfer Station Closure Fund, as required by Chapter 106.18 of the Iowa Administrative Code, is also reported as a Special Revenue Fund and is required to provide additional surety against any possible additional closure costs. Financial information of the Solid Waste Commission can be obtained from the Cedar County Auditor's Office.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Emergency Management Commission and Cedar County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Local Option Sales and Services Tax Fund is used to account for the County's share of the local option sales and services tax revenues.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

CEDAR COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Equipment and vehicles	2,500

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

CEDAR COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance premiums received which are not applicable until the fiscal year ended June 30, 2006.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the County functions and disbursements did not exceed any departmental appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 2. Cash and Pooled Investments (continued)

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$434,184 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk – The County’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Tax Increment Financing	\$ <u>13,000</u>

This balance represents a long-term loan between the Secondary Roads Fund and the Tax Increment Financing Fund.

CEDAR COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ <u>126,078</u>
Conservation Land Acquisition	General	<u>6,308</u>
Secondary Roads	Special Revenue:	
	Rural Services	<u>1,503,815</u>
Solid Waste Disposal	Rural Services	<u>50,000</u>
Debt Service	Local Option Sales and	
	Services Tax	<u>520,565</u>
		\$ <u><u>2,206,766</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 474,570	\$ -	\$ 14,322	\$ 460,248
Capital assets being depreciated:				
Buildings	4,463,492	-	3,000	4,460,492
Improvements other than buildings	42,200	-	-	42,200
Machinery and equipment	5,763,641	418,022	226,534	5,955,129
Infrastructure	27,504,763	2,899,254	-	30,404,017
Total capital assets being depreciated	37,774,096	3,317,276	229,534	40,861,838
Less accumulated depreciation for:				
Buildings	1,095,610	105,566	3,000	1,198,176
Improvements other than buildings	20,916	1,719	-	22,635
Machinery and equipment	3,724,487	432,890	226,534	3,930,843
Infrastructure	11,898,973	910,423	-	12,809,396
Total accumulated depreciation	16,739,986	1,450,598	229,534	17,961,050
Total capital assets being depreciated, net	21,034,110	1,866,678	-	22,900,788
Governmental activities capital assets, net	\$ 21,508,680	\$ 1,866,678	\$ 14,322	\$ 23,361,036

CEDAR COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 127,189
Physical health and social services	4,719
Mental health	5,952
County environment and education	59,916
Roads and transportation	1,219,024
Administration	<u>33,798</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,450,598</u></u>
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Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
General	Services	\$ <u>18,294</u>	\$ <u>-</u>	\$ <u>18,294</u>
Special Revenue:				
Mental Health	Services	161,989	-	161,989
Secondary Roads	Services	<u>713</u>	<u>-</u>	<u>713</u>
		<u>162,702</u>	<u>-</u>	<u>162,702</u>
Total for governmental funds		<u><u>\$ 180,996</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 180,996</u></u>
Agency:				
County Assessor	Collections	\$ 203,060	\$ 444,960	\$ 648,020
Schools		159,913	9,750,163	9,910,076
Community College		7,975	459,086	467,061
Corporations		48,985	3,659,918	3,708,903
Townships		4,893	264,912	269,805
Auto License and Use Tax		350,933	-	350,933
All Other		<u>160,973</u>	<u>107,718</u>	<u>268,691</u>
Total for agency funds		<u><u>\$ 936,732</u></u>	<u><u>\$ 14,686,757</u></u>	<u><u>\$ 15,623,489</u></u>

CEDAR COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Estimated Liability for Landfill Postclosure Monitoring	Compensated Absences	Total
Balance beginning of year	\$ 2,725,000	\$ 210,000	\$ 334,973	\$ 3,269,973
Increases	-	-	316,182	316,182
Decreases	420,000	14,000	318,224	752,224
Balance end of year	<u>\$ 2,305,000</u>	<u>\$ 196,000</u>	<u>\$ 332,931</u>	<u>\$ 2,833,931</u>
Due within one year	<u>\$ 430,000</u>	<u>\$ 14,000</u>	<u>\$ 316,284</u>	<u>\$ 760,284</u>

General Obligation Bonds

A summary of the County's June 30, 2005, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Refunding Issue of November 1, 2001		
	Interest Rates	Principal	Interest
2006	3.30 %	\$ 430,000	\$ 86,915
2007	3.75	445,000	72,725
2008	3.75	465,000	56,038
2009	4.00	475,000	38,600
2010	4.00	490,000	19,600
Total		<u>\$ 2,305,000</u>	<u>\$ 273,878</u>

During the year ended June 30, 2005, the County retired \$420,000 of the bonds.

Landfill Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill in 1989 and plans to complete the period of postclosure monitoring in 2019. The County reports a portion of these postclosure care costs as a liability based on the remaining period of required monitoring as of each balance sheet date. The \$196,000 reported as estimated liability for landfill postclosure care costs at June 30, 2005, represents an estimate of \$14,000 per year for postclosure monitoring for the next fourteen years (the remaining period of required postclosure monitoring). Actual care costs may be different due to inflation, changes in technology, or changes in regulations.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 8.535% and 8.535%, respectively, and for conservation officers, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for conservation officers and the County the contribution rates were 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively, and for conservation officers and the County the contribution rates were 3.70% and 5.75%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$291,074, \$273,748 and \$266,067, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Risk Pool:

Cedar County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool to protect the County against tort liability, injuries to employees and other risks associated with County operations. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each members' annual contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County paid \$321,915 into the Pool for the fiscal year ending June 30, 2005.

CEDAR COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 9. Risk Management (continued)

Risk Pool (continued):

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement, legal liability, and public officials liabilities, \$750,000 for workers' compensation liabilities, and property losses in excess of \$100,000 per occurrence. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2005 the risk pool maintained a surplus over the reserves and IBNR claims.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

The County has renewed its membership in the risk pool on an annual basis since July 1, 1989.

Self Insured Dental Benefit Plan:

The County has a self-funded dental insurance plan. The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 120% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the plan year ended June 30, 2005.

Monthly payments of service fees and plan contributions to the Cedar County Employee Group Dental fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to The Benefit Group from the Cedar County Employee Group Dental Fund. The County records the plan assets and related liabilities of the Cedar County Employee Group Dental Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$166,751.

Amounts payable from the Employee Group Dental Fund at June 30, 2005 include \$8,153, which is for incurred but not reported (IBNR) claims, and \$3,100, which is for reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$15,934 at June 30, 2005 and is reported as net assets of the Employee Group Dental Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 9. Risk Management (continued)

Risk Pool (continued):

Unpaid claims at July 1, 2004	\$ <u>8,180</u>
Included claims (including claims incurred but not reported at June 30, 2005):	
Total incurred claims	<u>54,325</u>
Payments:	
Claims attributable to current-year events where the County has retained risk of loss	<u>54,352</u>
Unpaid claims at June 30, 2005	\$ <u><u>8,153</u></u>

Note 10. E-911 Notes Payable

On December 28, 2004, the Joint E-911 Service Board entered into a promissory note agreement with the local bank to update E-911 system equipment. The balance of \$58,394 from notes issued on April 6, 2001, was combined with an additional \$50,000 of capital loan notes issued on December 28, 2004, to create a new capital loan note issue payable in quarterly installments through May 10, 2007, at an effective interest rate of 4.7%.

The liability for the note (\$85,527 at June 30, 2005) is not included with the County's long-term liabilities since the note is to be paid from other than County resources.

A summary of the June 30, 2005 E-911 note payable is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 44,754	\$ 3,246	\$ 48,000
2007	<u>40,773</u>	<u>1,105</u>	<u>41,878</u>
	\$ <u><u>85,527</u></u>	\$ <u><u>4,351</u></u>	\$ <u><u>89,878</u></u>

Note 11. Contingent Liability

The county is involved in ongoing litigation against the County Sheriff and the County. The outcome of these cases cannot be determined at this time and any monetary damages cannot be reasonably estimated. The County's insurance carrier is affording coverage for these cases.

Note 12. Financial Condition

The Special Revenue Fund, Tax Increment Financing, reported within the nonmajor governmental funds, had an unreserved, undesignated fund deficit of \$8,643 at June 30, 2005.

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Required Supplementary Information

CEDAR COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2005

	Actual	Less Funds not Required to be Budgeted	Net
	<u>Actual</u>	<u>Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other County tax	\$ 6,820,148	\$ -	\$ 6,820,148
Interest and penalty on property tax	44,122	-	44,122
Intergovernmental	6,110,578	-	6,110,578
Licenses and permits	40,665	-	40,665
Charges for service	951,900	-	951,900
Use of money and property	181,829	19	181,810
Miscellaneous	269,224	-	269,224
Total receipts	<u>14,418,466</u>	<u>19</u>	<u>14,418,447</u>
DISBURSEMENTS:			
Public safety and legal services	2,313,480	-	2,313,480
Physical health and social services	1,047,860	-	1,047,860
Mental health	2,390,095	-	2,390,095
County environment and education	804,347	-	804,347
Roads and transportation	4,326,607	-	4,326,607
Government services to residents	426,752	-	426,752
Administration	1,270,503	-	1,270,503
Debt service	520,565	-	520,565
Capital projects	969,299	600	968,699
Total disbursements	<u>14,069,508</u>	<u>600</u>	<u>14,068,908</u>
Excess (deficiency) of receipts over (under) disbursements	348,958	(581)	349,539
Other financing sources, net	<u>1,811</u>	<u>-</u>	<u>1,811</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	350,769	(581)	351,350
Balance beginning of year	<u>5,794,032</u>	<u>8,686</u>	<u>5,785,346</u>
Balance end of year	<u>\$ 6,144,801</u>	<u>\$ 8,105</u>	<u>\$ 6,136,696</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 6,899,508	\$ 6,830,625	\$ (10,477)
44,700	44,700	(578)
5,898,703	6,083,081	27,497
30,350	30,350	10,315
964,757	988,757	(36,857)
134,810	154,860	26,950
36,944	233,010	36,214
<u>14,009,772</u>	<u>14,365,383</u>	<u>53,064</u>
2,305,241	2,333,741	20,261
1,301,404	1,360,981	313,121
2,453,206	2,453,206	63,111
855,288	855,288	50,941
4,464,302	4,464,302	137,695
436,403	446,146	19,394
1,328,559	1,371,829	101,326
520,565	520,565	-
<u>1,000,000</u>	<u>1,142,000</u>	<u>173,301</u>
<u>14,664,968</u>	<u>14,948,058</u>	<u>879,150</u>
(655,196)	(582,675)	932,214
<u>8,000</u>	<u>13,000</u>	<u>(11,189)</u>
(647,196)	(569,675)	921,025
<u>5,857,267</u>	<u>5,857,267</u>	<u>(71,921)</u>
<u>\$ 5,210,071</u>	<u>\$ 5,287,592</u>	<u>\$ 849,104</u>

CEDAR COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,418,466	\$ (24,282)	\$ 14,394,184
Expenditures	14,069,508	(13,129)	14,056,379
Net	348,958	(11,153)	337,805
Other financing sources	1,811	-	1,811
Beginning fund balances	5,794,032	939,510	6,733,542
Ending fund balances	<u>\$ 6,144,801</u>	<u>\$ 928,357</u>	<u>\$ 7,073,158</u>

See accompanying independent auditor's report.

CEDAR COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$283,090. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the County functions and disbursements did not exceed any departmental appropriations.

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Other Supplementary Information

CEDAR COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisition	Solid Waste Disposal
Assets				
Cash and pooled investments	\$ 21,310	\$ 8,105	\$ 26,307	\$ 213,636
Receivables:				
Property tax:				-
Succeeding year property tax	-	-	-	-
Accounts	465	-	-	-
Accrued interest	35	4	-	278
Total assets	<u>\$ 21,810</u>	<u>\$ 8,109</u>	<u>\$ 26,307</u>	<u>\$ 213,914</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 4	\$ -	\$ 48,831
Salaries and benefits payable	-	-	-	3,674
Due to other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Total liabilities	<u>-</u>	<u>4</u>	<u>-</u>	<u>52,505</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	21,810	8,105	26,307	161,409
Total fund equity	<u>21,810</u>	<u>8,105</u>	<u>26,307</u>	<u>161,409</u>
Total liabilities and fund equity	<u>\$ 21,810</u>	<u>\$ 8,109</u>	<u>\$ 26,307</u>	<u>\$ 213,914</u>

See accompanying independent auditor's report.

<u>Tax Increment Financing</u>	<u>Transfer Station Closure</u>	<u>Debt Service</u>	<u>Total</u>
\$ 4,357	\$ 5,779	\$ 3,269	\$ 282,763
50,000	-	-	50,000
-	-	-	465
-	-	-	317
<u>\$ 54,357</u>	<u>\$ 5,779</u>	<u>\$ 3,269</u>	<u>\$ 333,545</u>

\$ -	\$ -	\$ -	\$ 48,835
-	-	-	3,674
13,000	-	-	13,000
50,000	-	-	50,000
<u>63,000</u>	<u>-</u>	<u>-</u>	<u>115,509</u>

-	-	3,269	3,269
(8,643)	5,779	-	214,767
<u>(8,643)</u>	<u>5,779</u>	<u>3,269</u>	<u>218,036</u>
<u>\$ 54,357</u>	<u>\$ 5,779</u>	<u>\$ 3,269</u>	<u>\$ 333,545</u>

CEDAR COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for service	4,958	14,196	-	-
Use of money and property	139	60	18	-
Miscellaneous	-	-	-	-
Total revenues	<u>5,097</u>	<u>14,256</u>	<u>18</u>	<u>-</u>
Expenditures:				
Operating:				
County environment and education	-	-	-	-
Administration	17,110	36,979	-	-
Debt service	-	-	-	-
Capital projects	-	-	604	-
Total expenditures	<u>17,110</u>	<u>36,979</u>	<u>604</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(12,013)	(22,723)	(586)	-
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Interfund transfers in	-	-	-	6,308
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,308</u>
Net change in fund balances	(12,013)	(22,723)	(586)	6,308
Fund balances beginning of year	<u>33,823</u>	<u>22,723</u>	<u>8,691</u>	<u>19,999</u>
Fund balances end of year	<u>\$ 21,810</u>	<u>\$ -</u>	<u>\$ 8,105</u>	<u>\$ 26,307</u>

See accompanying independent auditor's report.

<u>Solid Waste Disposal</u>	<u>Tax Increment Financing</u>	<u>Transfer Station Closure</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 17,608	\$ -	\$ -	\$ -	\$ 17,608
57,448	-	5,779	-	57,000	120,227
319,132	-	-	-	-	338,286
2,649	-	-	-	617	3,483
38,322	-	-	-	-	38,322
<u>417,551</u>	<u>17,608</u>	<u>5,779</u>	<u>-</u>	<u>57,617</u>	<u>517,926</u>
470,808	-	-	-	-	470,808
-	17,149	-	-	-	71,238
-	-	-	520,565	-	520,565
-	-	-	-	106,703	107,307
<u>470,808</u>	<u>17,149</u>	<u>-</u>	<u>520,565</u>	<u>106,703</u>	<u>1,169,918</u>
(53,257)	459	5,779	(520,565)	(49,086)	(651,992)
1,600	-	-	-	-	1,600
50,000	-	-	520,565	-	576,873
<u>51,600</u>	<u>-</u>	<u>-</u>	<u>520,565</u>	<u>-</u>	<u>578,473</u>
(1,657)	459	5,779	-	(49,086)	(73,519)
163,066	(9,102)	-	3,269	49,086	291,555
<u>\$ 161,409</u>	<u>\$ (8,643)</u>	<u>\$ 5,779</u>	<u>\$ 3,269</u>	<u>\$ -</u>	<u>\$ 218,036</u>

CEDAR COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2005

	County Offices			
	County Auditor	County Recorder	County Sheriff	Board of Supervisors
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	-
Other County officials	24,547	24,517	24,911	6,495
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	992	-	-
Accrued interest	-	-	-	-
Total assets	\$ <u>24,547</u>	\$ <u>25,509</u>	\$ <u>24,911</u>	\$ <u>6,495</u>
LIABILITIES				
Accounts payable	\$ -	\$ 13,943	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	11,566	-	-
Trusts payable	24,547	-	24,911	6,495
Compensated absences	-	-	-	-
Total liabilities	\$ <u>24,547</u>	\$ <u>25,509</u>	\$ <u>24,911</u>	\$ <u>6,495</u>

<u>Agricultural Extension Education</u>	<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911 Service Center</u>	<u>Corporations</u>
\$ 1,231	\$ 53,823	\$ 215,149	\$ 159,913	\$ 7,975	\$ 41,322	\$ 48,985
-	-	-	-	-	-	-
699	-	2,960	65,163	3,086	-	18,918
104,000	-	442,000	9,685,000	456,000	-	3,641,000
-	-	-	-	-	27,381	-
-	-	-	-	-	18	-
<u>\$ 105,930</u>	<u>\$ 53,823</u>	<u>\$ 660,109</u>	<u>\$ 9,910,076</u>	<u>\$ 467,061</u>	<u>\$ 68,721</u>	<u>\$ 3,708,903</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,731	\$ -
-	411	6,367	-	-	-	-
105,930	53,412	648,020	9,910,076	467,061	66,990	3,708,903
-	-	-	-	-	-	-
-	-	5,722	-	-	-	-
<u>\$ 105,930</u>	<u>\$ 53,823</u>	<u>\$ 660,109</u>	<u>\$ 9,910,076</u>	<u>\$ 467,061</u>	<u>\$ 68,721</u>	<u>\$ 3,708,903</u>

CEDAR COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	City Special Assessments	Townships	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 5,571	\$ 4,893	\$ 49	\$ 364,529
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,912	19	-
Succeeding year	-	263,000	3,000	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 5,571</u>	<u>\$ 269,805</u>	<u>\$ 3,068</u>	<u>\$ 364,529</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,596
Salaries and benefits payable	-	-	-	-
Due to other governments	5,571	269,805	3,068	350,933
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 5,571</u>	<u>\$ 269,805</u>	<u>\$ 3,068</u>	<u>\$ 364,529</u>

See accompanying independent auditor's report.

Recorder's Electronic Transaction Fees	Empowerment Fund	Total
\$ 1,185	\$ 22,332	\$ 926,957
-	-	80,470
-	-	92,757
-	-	14,594,000
465	-	28,838
-	15	33
<u>\$ 1,650</u>	<u>\$ 22,347</u>	<u>\$ 15,723,055</u>
\$ -	\$ 193	\$ 29,463
-	-	6,778
-	22,154	15,623,489
1,650	-	57,603
-	-	5,722
<u>\$ 1,650</u>	<u>\$ 22,347</u>	<u>\$ 15,723,055</u>

CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2005

	County Offices			
	County Auditor	County Recorder	County Sheriff	Board of Supervisors
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 25,180	\$ 26,668	\$ 17,556	\$ 5,935
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	15,531	287,811	68,303	-
Solid waste fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Interest on investments	-	50	-	-
Trusts	2,532	-	235,612	17,615
Miscellaneous	-	-	-	-
Total additions	18,063	287,861	303,915	17,615
Deductions:				
Agency remittances:				
To other funds	15,531	145,955	67,989	-
To other governments	-	143,065	314	-
Trusts paid out	3,165	-	228,257	17,055
Total deductions	18,696	289,020	296,560	17,055
Balances end of year	\$ 24,547	\$ 25,509	\$ 24,911	\$ 6,495

<u>Agricultural Extension Education</u>	<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911 Service Center</u>	<u>Corporations</u>
\$ <u>72,535</u>	\$ <u>57,886</u>	\$ <u>560,854</u>	\$ <u>9,403,420</u>	\$ <u>469,345</u>	\$ <u>45,577</u>	\$ <u>3,452,774</u>
104,462	-	443,206	9,706,448	457,341	-	3,671,571
4,022	-	17,236	518,399	26,033	-	142,516
-	-	-	-	-	106,947	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	189	-
-	-	-	-	-	-	-
-	21,819	5,716	-	-	68,211	-
<u>108,484</u>	<u>21,819</u>	<u>466,158</u>	<u>10,224,847</u>	<u>483,374</u>	<u>175,347</u>	<u>3,814,087</u>
-	-	-	-	-	-	-
75,089	25,882	366,903	9,718,191	485,658	152,203	3,557,958
-	-	-	-	-	-	-
<u>75,089</u>	<u>25,882</u>	<u>366,903</u>	<u>9,718,191</u>	<u>485,658</u>	<u>152,203</u>	<u>3,557,958</u>
\$ <u><u>105,930</u></u>	\$ <u><u>53,823</u></u>	\$ <u><u>660,109</u></u>	\$ <u><u>9,910,076</u></u>	\$ <u><u>467,061</u></u>	\$ <u><u>68,721</u></u>	\$ <u><u>3,708,903</u></u>

CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2005

	<u>City Special Assessments</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ <u>1,821</u>	\$ <u>267,797</u>	\$ <u>3,063</u>	\$ <u>374,991</u>
Additions:				
Property and other County tax	-	263,027	2,837	-
State tax credits	-	15,177	160	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Solid waste fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	4,263,909
Assessments	66,752	-	-	-
Interest on investments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>66,752</u>	<u>278,204</u>	<u>2,997</u>	<u>4,263,909</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	164,269
To other governments	63,002	276,196	2,992	4,110,102
Trusts paid out	-	-	-	-
Total deductions	<u>63,002</u>	<u>276,196</u>	<u>2,992</u>	<u>4,274,371</u>
Balances end of year	\$ <u><u>5,571</u></u>	\$ <u><u>269,805</u></u>	\$ <u><u>3,068</u></u>	\$ <u><u>364,529</u></u>

See accompanying independent auditor's report.

<u>Tax Sale Redemption Trust</u>	<u>Cedar County Solid Waste Commission</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Empowerment Fund</u>	<u>Total</u>
\$ -	\$ 168,836	\$ 2,605	\$ 20,441	\$ 14,977,284
-	-	-	-	14,648,892
-	-	-	-	723,543
-	-	-	-	106,947
-	-	-	-	371,645
-	151,610	-	-	151,610
-	-	-	-	4,263,909
-	-	-	-	66,752
-	621	-	207	1,067
138,679	-	4,967	-	399,405
-	-	-	105,289	201,035
138,679	152,231	4,967	105,496	20,934,805
-	321,067	-	-	714,811
-	-	-	103,590	19,081,145
138,679	-	5,922	-	393,078
138,679	321,067	5,922	103,590	20,189,034
\$ -	\$ -	\$ 1,650	\$ 22,347	\$ 15,723,055

CEDAR COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Property and other County tax	\$ 6,873,785	\$ 7,012,214	\$ 6,690,840	\$ 5,889,076
Interest and penalty on property tax	44,810	42,988	53,615	51,364
Intergovernmental	6,181,889	6,049,649	5,410,255	5,519,420
Licenses and permits	40,415	37,607	37,485	35,548
Charges for service	957,047	1,014,487	949,345	838,268
Use of money and property	191,763	133,402	184,118	248,347
Miscellaneous	104,475	92,648	77,697	96,020
Total revenues	<u>\$ 14,394,184</u>	<u>\$ 14,382,995</u>	<u>\$ 13,403,355</u>	<u>\$ 12,678,043</u>
Expenditures:				
Current:				
Public safety and legal services	\$ 2,325,998	\$ 2,096,878	\$ 2,054,822	\$ 1,767,206
Physical health and social services	1,054,518	1,093,385	991,774	1,055,741
Mental health	2,404,162	2,306,745	2,290,119	2,223,734
County environment and eradication	824,677	884,024	775,269	824,529
Roads and transportation	4,250,121	4,110,795	4,288,196	3,796,189
Government services to residents	427,995	400,840	345,902	339,392
Administration	1,276,444	1,274,758	1,208,071	1,063,962
Debt service	520,565	694,515	703,100	705,003
Capital projects	971,899	744,764	394,361	696,457
Total expenditures	<u>\$ 14,056,379</u>	<u>\$ 13,606,704</u>	<u>\$ 13,051,614</u>	<u>\$ 12,472,213</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Cedar County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 9, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cedar County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cedar County and other parties to whom Cedar County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cedar County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 9, 2006

CEDAR COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, County Care Facility, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension, County Care Facility, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-05 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Care Facility – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-B-05 Employee Compensation – We noted that one employee received both a W-2 form for reportable wages and a 1099-Miscellaneous form for other services performed for the County.

Recommendation – Employees of the county should not receive both a W-2 and a 1099. Internal Revenue Service guidelines require that all payments made to an employee for services rendered to the County should be included only as reportable wages on the employee's W-2 form to allow for the proper withholding of employment and income taxes.

Response – We were unaware of this requirement and will properly include all amounts paid to employees for services as wages and we will withhold the proper amounts.

Conclusion – Response accepted.

I-C-05 Financial Condition – The Special Revenue, Tax Increment Financing fund had an unreserved, undesignated fund deficit of \$8,643 at June 30, 2005.

Recommendation – The County should investigate alternatives to return this Fund to a sound financial condition.

Response – The Tax Increment Financing Fund has yet to collect assessed revenues and is currently operating with a loan from the Secondary Road Fund. We expect the needed revenues to be available soon. We will try to maintain a positive balance in the Tax Increment Financing Fund in the future.

Conclusion – Response accepted.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- I-D-05 Expenditures Netted to Revenues – We noted that expenditures totaling \$2,483 associated with the Sheriff's rooming and boarding of prisoners were netted to the related revenues. The Board of Supervisors is not approving these expenditures and the budget is bypassed as a result of the netting.

Recommendation – The County should run all expenditures through an appropriate expenditure account instead of netting some to revenue accounts. This allows the Board a chance to review the expenditures and the expenditures are properly reflected in budgeted totals.

Response – We have set up a new departmental account code to record the expenditures of these County room and board revenues through normal County claim procedures starting in July 2005.

Conclusion – Response accepted.

- I-E-05 Commissary Account Bank Reconciliation – We noted in our testing of the Sheriff's commissary bank account that the bank reconciliation was not tied into the check register or the general ledger.

Recommendation – The bank reconciliation should be accurately prepared each month and tied to the check register totals and the general ledger to help insure better protection of the underlying asset.

Response – We will follow this procedure in the future.

Conclusion – Response accepted.

- I-F-05 Jail Commissary Account – The Sheriff's office deposits inmate money in a separate Commissary account at the Sheriff's office. Inmates are allowed to purchase items from the jail commissary with their money upon which the County makes a profit. We noted some non-resale items such as a defibrillator for the jail and shower repairs were purchased from the profit portion of the account. These purchases did not run through the normal County budget procedures and were therefore not charged against the County budget.

Recommendation – Profits from the jail commissary account not needed for normal resale purchase operations should be deposited with the County Treasurer in a Special Revenue, Jail Commissary Fund. Claims against this account should be filed with the County Auditor who will issue warrants for authorized purchases approved by the Board of Supervisors. This special revenue fund should be budgeted under the public safety function and its own jail commissary department. This will be separate from the Sheriff's normal operating department since it is funded by its own special revenue source of funds which are only to be spent on the jail for the benefit of the inmates.

Sheriff's Office Response – We will discuss this fund with the County Auditor and Board of Supervisors and determine the best way to account for these funds.

Conclusion – Response acknowledged. However, we feel our recommendation should be followed in order to ensure purchases are properly budgeted and reflected in the County's accounting system. This also provides additional safeguards over the control of the assets.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted in any of the ten County functions and disbursements did not exceed any departmental appropriations.
- II-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-05 Deposits and Investments – We noted that the interest rate on three certificates of deposit for the Auditor’s Cemetery Trust did not meet the minimum rates as set by the State of Iowa rate setting committee.

Recommendation – The county should insure that all interest rates meet the minimum rate allowable for all investments. The county should contact the bank and obtain the difference in interest between the minimum rate and the rates actually paid on the certificates of deposit.

Response – We have already contacted the bank and have received the additional interest.

Conclusion – Response accepted.

- II-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-J-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

We noted that one certificate of deposit did not meet the minimum interest rate required by the State of Iowa rate setting committee. We also noted that three certificates of deposit listed the former County Extension Office treasurer as an authorized signer.

Recommendation – The Extension Office should insure that all certificates of deposit meet the minimum required interest rate. The Office should contact the bank and obtain the difference in interest between the minimum rate and the rate actually paid on the certificate of deposit. All authorized signers should be immediately updated upon a change in the applicable personnel.

Response – We will contact the bank about the difference in the interest rate. We will insure that all authorized signers for all accounts are updated as needed in the future.

Conclusion – Response accepted.

- II-K-05 Internal Service, Employee Dental Fund – We noted in our testing of transactions of the Internal Service Fund, Employee Dental that the County had not recorded any interest revenue in the Fund as required by Chapter 331.301(12) of the Code of Iowa.

Recommendation – The County should allocate interest revenue to the Employee Dental Fund in the future as required.

Response – This was an oversight for this year. We will properly allocate interest revenue to the Internal Service Fund, Employee Dental in the future as required.

Conclusion – Response accepted.

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